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Farm-Mortgage Lending

*Experience of 20 Life Insurance Companies,
Federal Land Banks, and
Farmers Home Administration
JANUARY THROUGH MARCH 1964*

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NO. 2 D 1964

CURRENT SERIAL RECORDS

Farm Production Economics Division, Economic Research Service, USDA

July 1964

Farm-mortgage lending by the 3 groups of reporting lenders continued to set records in first quarter 1964. Volume of new loans made, together with increases in old loans, reached \$550 million, about \$100 million or 22 percent more than that loaned a year earlier. The January-March 1964 period was the 13th consecutive quarter in which the combined lending volume of the 3 lenders was higher than in the year-earlier quarter. The 3 lenders are the Federal land banks, 20 life insurance companies, and the Farmers Home Administration (direct loans).

The Federal land banks recorded the largest increase in gross loan volume--30 percent larger than in first quarter 1963. Life insurance lending was up 19 percent. In both 1962 and 1963, life insurance company loan volume had risen much more rapidly than that of the Federal land banks. Farmers Home Administration direct lending volume in the first quarter was 9 percent below first quarter 1963.

Interest rates paid on farm-mortgage loans continued to change very little during the first 3 months of 1964. Repayments on farm mortgage loans continued fairly strong. Delinquencies or loans behind schedule in repayments for life insurance companies and the Farmers Home Administration--the 2 lenders that reported this information--continued low in the first quarter. Farm-mortgage loan commitments of the life insurance companies in first quarter 1964 indicated a bit less strength in the upward push in lending than has been taking place recently.

Federal Land Banks

Number of Federal land bank loans closed in the first quarter increased 13 percent and the average size per loan rose 15 percent over a year earlier. The total amount of loans closed increased 30 percent. During 1963, the quarter by quarter increases in volume of loans made over year-earlier periods had ranged from 7 percent to 23 percent. Loans made by the land banks in first quarter 1964 averaged \$17,590. None of the 12 Federal land banks has changed interest rates since September 1963.

Life Insurance Companies

The volume of life insurance company lending (new loans acquired plus increases in mortgages already owned) increased 19 percent in first quarter 1964 from the like 1963 period. This was a relatively smaller increase than in the preceding year when quarter to quarter increases from 1962 ranged from 27 percent to 50 percent. Average size of loans was about \$32,000, 18 percent above first quarter 1963; the number of loans made increased 4 percent.

Repayment rates on life insurance company loans were below those of the year-earlier quarter--4.3 percent of debt outstanding at the beginning of the period, compared with 5.2 percent a year earlier. However, repayments in the first quarter of 1964 were about in line, except for 1963, with repayments in first quarters of other years. Amount of delinquent mortgages on March 31, 1964, was equal to 0.4 percent of outstanding loans, compared with 0.5 percent a year earlier.

Farm-mortgage loan commitments in first quarter 1964 totaled \$289 million, up 16 percent from a year earlier. During 1963 the year to year increase by quarters had averaged 40 percent.

Interest rates on loan commitments of the life insurance companies in the first quarter averaged 5.72 percent, down slightly from 5.76 percent in fourth quarter 1963. These rates have varied only slightly from 5.72 percent to 5.78 percent--for 18 months, since the July-September quarter of 1962. The purposes of life insurance loan commitments continued to show only minor changes in first quarter 1964 compared with earlier quarters. The proportion of loans made to purchase farm real estate has risen slightly; the proportion used to refinance farm mortgage loans held by other lenders has declined slightly. In the recent quarter 48 percent of loan commitments were for the refinancing of mortgage and nonmortgage debt and 37 percent to purchase farm real estate.

Farmers Home Administration

The amount of direct FHA farm-ownership and rural-housing mortgage loans made (including increases in loans already owned), declined 9 percent in first quarter 1964 from a year earlier. Farmers Home Administration direct lending in calendar year 1963 was smaller than in 1962.

While new lending declined, the volume of FHA direct loans outstanding continued to rise some, increasing by \$7 million in first quarter 1964 and by \$108 million since March 31, 1963. On March 31, 1964, \$813 million of these loans were outstanding. Farm-ownership loans were relatively more important in first quarter 1964 than a year earlier. About 30 percent of the loan volume in the quarter was for farm-ownership loans compared with 5 percent a year earlier. FHA's mortgage loans were mostly for farm and nonfarm rural housing.

The condition of FHA direct loans in first quarter 1964 changed little from a year earlier, judging from repayments and delinquencies. Repayment rates were fractionally higher than a year earlier, 2.3 percent of outstandings

compared with 2.2 percent; loans behind schedule in amortization payments declined to 2.8 percent from 3.2 percent. Mortgages in the process of foreclosure remained unchanged at 0.1 percent.

The Farmers Home Administration insures a substantial volume of mortgage loans for farm-ownership purposes that are financed by private lenders. At the end of first quarter 1964, the outstanding volume of these insured loans to individuals (including \$11 million of soil and water loans) was \$586 million. This represented an increase of \$33 million during the quarter and an increase of \$126 million since March 31, 1963.

Tables 1 through 7 show the farm-mortgage lending activity of the 3 lender groups for selected periods of 1963 and 1964.

Table 1.--Life insurance companies: Farm-mortgage loans, 20 companies, United States, selected quarters, 1963 and 1964

Item	Quarter ending--			Percentage change, quarters ending--	
	Mar. 31, 1963	Dec. 31, 1963	Mar. 31, 1964	Mar. 31, 1963, and Mar. 31, 1964	Dec. 31, 1963, and Mar. 31, 1964
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	192,574	193,160	1/ 192,698	0.1	-0.2
Principal indebtedness:					
Total-----1,000 dollars----	3,183,643	3,463,331	1/3,541,025	11.2	2.2
Average-----dollars----	16,530	17,930	18,380	11.2	2.5
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	5,578	3,837	5,781	3.6	50.7
Principal indebtedness:					
Total 2/-----1,000 dollars----	195,190	143,438	232,985	19.4	62.4
Average 3/-----dollars----	27,200	30,210	31,960	17.5	5.8
Increase in principal of mortgages already owned 3/-----1,000 dollars----	31,507	28,339	36,682	16.4	29.4
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	6,207	4,262	5,959	-4.0	39.8
Amount:					
Total 4/-----1,000 dollars----	98,096	46,364	80,620	-17.8	73.9
Average 5/-----dollars----	10,140	9,750	11,030	8.8	13.1
Other 5/-----1,000 dollars----	68,272	47,556	73,130	7.1	53.8
Total-----do-----	166,368	93,920	153,750	-7.6	63.7
Percent of principal indebtedness, beginning of quarter-----	5.2	2.7	4.3	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	1	4	3	200.0	-25.0
Principal indebtedness:					
Total-----1,000 dollars----	36	81	19	-47.2	-76.5
Average-----dollars----	36,000	20,250	6,330	-82.4	-68.7
<u>End of Quarter</u>					
Mortgages owned:					
Number 6/-----	191,930	192,696	192,485	0.3	-0.1
Principal indebtedness:					
Total-----1,000 dollars----	3,243,936	7/3,541,016	3,656,923	12.7	3.3
Average-----dollars----	16,900	18,380	19,000	12.4	3.4
Mortgages in process of foreclosure:					
Number-----	65	49	56	-13.8	14.3
Percent of total-----	8/	8/	8/	---	---
Principal indebtedness-----1,000 dollars----	1,295	944	1,256	-3.0	33.1
Percent of total-----	8/	8/	8/	---	---
Mortgages with interest overdue more than 3 months:					
Number-----	380	193	401	5.5	107.8
Percent of total-----	.2	.1	.2	---	---
Principal indebtedness-----1,000 dollars----	15,781	5,183	14,055	-10.9	171.2
Percent of total-----	.5	.1	.4	---	---
Mortgage-loan commitments during quarter:					
Number-----	7,104	6,536	7,839	10.3	19.9
Amount:					
Total-----1,000 dollars----	248,370	279,578	288,597	16.2	3.2
Average-----dollars----	34,960	42,780	36,820	5.3	-13.9

1/ Because of consolidation and/or splitting of loans, there was a net increase of 2 loans in number and \$9,000 in amount from the number and amount reported at the end of the preceding quarter. 2/ Includes increase in principal indebtedness of mortgages already owned for 2 companies. 3/ 18-company data; excludes the 2 companies that did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned. 4/ Includes principal payments on farm mortgages not paid in full for 2 companies. 5/ 18-company data; excludes the 2 companies that did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full. 6/ Because of consolidation and/or splitting of loans there was a net decrease of 14 loans and 35 loans in the first and fourth quarters of 1963, respectively, and 32 loans in the first quarter of 1964. 7/ Because of consolidation and/or splitting of loans there was a net decrease of \$91,000. 8/ Less than 0.05 percent.

Table 2.--Life insurance companies: Purposes of farm-mortgage-loan commitments, 19 companies, United States, selected quarters, 1963 and 1964

Item	Quarter ending--				
	Mar. 31, 1963	June 30, 1963	Sept. 30, 1963	Dec. 31, 1963	Mar. 31, 1964
	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>	<u>1,000 dollars</u>
Amount of commitments-----	248,370	227,845	206,278	279,564	288,597
Percentage of total funds committed for--	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Farm real estate purchases--	35.7	34.3	35.9	35.0	37.3
Refinancing 1/--					
Mortgages held by--					
Own company-----	23.6	23.4	21.1	18.6	21.7
Others-----	10.2	9.1	10.8	13.6	9.1
Total-----	33.8	32.5	31.9	32.2	30.8
Other indebtedness-----	16.6	14.3	16.4	16.9	17.1
Total refinancing--	50.4	46.8	48.3	49.1	47.9
Repairs and improvements to land and buildings-----	6.0	8.3	7.3	8.0	7.6
Other purposes:					
Known-----	7.8	10.6	8.5	7.8	7.0
Unknown-----	.1	2/	2/	.1	.2
All purposes-----	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another. 2/ Less than 0.05 percent.

Table 3.--Life insurance companies: Interest rates on farm-mortgage-loan commitments, Jan. 1 through Mar. 31, 1964 1/

Interest rate	Loans		Amount		Average size of loan
	Number	Percentage distribution	Total	Percentage distribution	
		<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
Percent:					
5 or less-----	7	0.2	150,400	0.1	21,490
5 1/4-----	29	.8	724,200	.5	24,970
5 1/2-----	1,842	48.3	60,676,236	41.0	32,940
5 3/4-----	813	21.3	39,652,972	26.8	48,770
6-----	1,021	26.8	41,213,631	27.9	40,370
6 1/4-----	53	1.4	2,771,746	1.9	52,300
6 1/2 and over-----	46	1.2	2,679,122	1.8	58,240
Total or average-----	3,811	100.0	147,868,307	100.0	38,800

1/ The weighted average interest rate, based on 4,946 loans and a total amount committed of \$181,857,745, is 5.722 percent. 2 companies did not report interest rates.

Table 4.--Federal land banks: Farm-mortgage loans, United States, Jan. 1 through Mar. 31, 1963 and 1964 1/

Item	1963	1964	Percentage change
			Percent
Loans outstanding, Jan. 1: <u>2/</u>			
Number-----	379,754	378,868	-0.2
Amount-----1,000 dollars---	3,051,973	3,309,883	8.5
Average-----dollars---	8,040	8,740	8.7
Loans closed: <u>3/</u>			
Number-----	12,819	14,484	13.0
Amount-----1,000 dollars---	196,400	254,807	29.7
Average-----dollars---	15,320	17,590	14.8
Decrease in loans (net):			
Number-----	22,911	14,265	-37.7
Amount-----1,000 dollars---	130,171	158,531	21.8
Average-----dollars---	5,680	11,110	95.6
Loans outstanding, Mar. 31: <u>2/</u>			
Number-----	369,662	379,087	2.5
Amount-----1,000 dollars---	3,118,202	3,406,159	9.2
Average-----dollars---	8,440	8,990	6.5

1/ Includes Puerto Rico.

2/ Includes purchase-money mortgages, sales contracts, etc., and excludes loans called for foreclosure.

3/ Gross number and amount of all loans closed including new loans that replaced old loans, and loans canceled prior to disbursement of loan proceeds.

Farm Credit Administration, Accounting and Budget Division.

Table 5.--Federal land banks: Interest rates charged by districts, Mar. 31, 1964

District	Rate	Effective date
	Percent	
Springfield-----	5.75	Mar. 27, 1961
Baltimore-----	<u>1/</u> 5.50	Sept. 16, 1963
Columbia-----	<u>1/</u> 5.50	July 1, 1961
Louisville-----	5.50	Jan. 1, 1961
New Orleans-----	5.50	Jan. 2, 1961
St. Louis-----	5.50	Jan. 1, 1961
St. Paul-----	5.50	Jan. 3, 1961
Omaha-----	5.50	Mar. 24, 1961
Wichita-----	5.50	Jan. 3, 1961
Houston-----	<u>2/</u> 5.00	Dec. 1, 1962
Berkeley-----	<u>3/</u> 5.20	Jan. 1, 1963
Spokane-----	5.50	Apr. 1, 1961

1/ New loans are written at 6 percent; borrowers are currently charged 5.50 percent.

2/ New loans are written at 5.50 percent; borrowers are currently charged 5.00 percent.

3/ New loans are written at 5.50 percent; borrowers are currently charged 5.20 percent.

Farm Credit Administration.

Table 6.--Farmers Home Administration: Direct farm-ownership and rural-housing loans, United States, selected quarters, 1963 and 1964 1/

Item	Quarter ending--			Percentage change, quarters ending--	
	Mar. 31, 1963	Dec. 31, 1963	Mar. 31, 1964	Mar. 31, 1963, and Mar. 31, 1964	Dec. 31, 1963, and Mar. 31, 1964
<u>Beginning of Quarter</u>				<u>Percent</u>	<u>Percent</u>
Mortgages owned:					
Number-----	85,718	93,500	96,517	12.6	3.2
Principal indebtedness-----1,000 dollars--	692,449	775,177	805,869	16.4	4.0
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	2,972	4,288	2,413	-18.8	-43.7
Principal indebtedness-----1,000 dollars--	27,284	43,306	24,461	-10.3	-43.5
Increase in principal of mortgages already owned-----1,000 dollars--	570	897	989	73.5	10.3
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	1,148	1,248	1,649	43.6	32.1
Amount-----1,000 dollars--	5,509	5,717	7,621	38.3	33.3
Other-----do-----	9,462	7,648	10,542	11.4	37.8
Total-----do-----	14,971	13,365	18,163	21.3	35.9
Percent of principal indebtedness, beginning of quarter-----	2.2	1.7	2.3	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	15	23	23	53.3	0
Principal indebtedness-----1,000 dollars--	49	146	182	271.4	24.7
<u>End of Quarter</u>					
Mortgages owned:					
Number-----	87,527	96,517	97,258	11.1	.8
Principal indebtedness-----1,000 dollars--	705,283	805,869	812,974	15.3	.9
Mortgages behind schedule in regard to amortization payments:					
Number-----	2,514	2,702	2,444	-2.8	-9.5
Percent of total-----	2.9	2.8	2.5	---	---
Principal indebtedness-----1,000 dollars--	22,258	24,915	22,715	2.1	-8.8
Percent of total-----	3.2	3.1	2.8	---	---
Mortgages in process of foreclosure:					
Number-----	50	74	73	46.0	-1.4
Percent of total-----	.1	.1	.1	---	---
Principal indebtedness-----1,000 dollars--	605	897	918	51.7	2.3
Percent of total-----	.1	.1	.1	---	---
Mortgage-loan commitments during quarter: <u>2/</u>					
Farm-ownership loans: <u>3/</u>					
Number-----	109	112	594	445.0	430.4
Amount:					
Total-----1,000 dollars--	707	807	10,166	4/	4/
Average-----dollars--	6,490	7,210	17,110	163.6	137.3
Rural-housing loans: <u>5/</u>					
Number-----	3,190	3,411	2,608	-18.2	-23.5
Amount:					
Total-----1,000 dollars--	30,061	31,961	23,985	-20.2	-25.0
Average-----dollars--	9,420	9,370	9,200	-2.3	-1.8

1/ Data for 48 States only. Includes loans on rural nonfarm residences. Separate data for farm-ownership and rural-housing loans are available upon request. 2/ Initial loans obligated. 3/ The interest rate on these loans is 5 percent. 4/ More than 500 percent. 5/ The interest rate on these loans is 4 percent.

Farmers Home Administration.

Table 7.--Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-ownership loans, United States, selected periods, 1961 through 1964 1/

Item	July 1, 1961 to Mar. 31, 1962	July 1, 1962 to Mar. 31, 1963	July 1, 1963 to Mar. 31, 1964
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for--			
Farm real estate purchases-----	37	39	54
Refinancing--			
Mortgages held by--			
Farmers Home Administration-----	0	0	0
Others-----	43	26	26
Total-----	43	26	26
Other indebtedness-----	0	0	0
Total refinancing-----	43	26	26
Repairs and improvements to land and buildings--	19	34	20
Other purposes:			
Known-----	1	1	0
Unknown-----	0	0	0
All purposes-----	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.